

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2010

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Release Date 2/16/11

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

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June 30, 2010

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Chennault International Airport Authority as of and for the year then ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

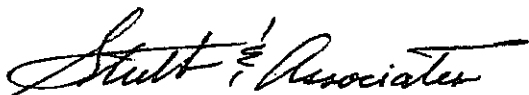
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds, and remaining fund information of Chennault International Airport Authority as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Chennault International Airport Authority as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements of Chennault International Airport Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



December 9, 2010

Management's Discussion and Analysis

The management of the Chennault International Airport Authority offers readers of the Chennault International Airport's financial statements this narrative overview and analysis of the financial activities for the Authority for the fiscal year ended June 30, 2010.

Financial Highlights

- The Authority is eligible for funding from Federal Emergency Management Agency (FEMA) through the Hurricane Rita recovery program. The Authority received from FEMA \$10,844,604 for the fiscal years ended June 30, 2006 through 2009. The Authority completed work on projects for which it recorded earned additional reimbursements from FEMA for the fiscal year ended June 30, 2010 of \$834,470 for a total reimbursement to date of \$11,679,074. The Authority anticipates \$1,000,000 of additional funding from FEMA for the fiscal year ending June 30, 2011 as new versions are written on project worksheets for some of the completed projects.
- The Authority completed construction of a New Corporate Hangar for lease to its tenant, Freeman Holdings, LLC.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana and Louisiana Department of Economic Development and Northrop Grumman Technical Services, Inc. dated November 1, 2009. The Cooperative Endeavor Agreement includes a grant totaling \$6,500,000 to Chennault from the Louisiana Department of Economic Development for the KC-10 Program for Infrastructure and Equipment. The Authority also entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development for the construction of a blast deflector fence in the amount of \$500,000.
- The Authority entered into grant agreements with the Federal Aviation Administration (FAA) in the amount of \$212,202 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$11,168 with the funds from the grants to be used to Rehabilitate Runway and Taxiway Lighting and Navigation Aids-Phase I Engineering. For the fiscal year ended June 30, 2010 the Authority reported revenue from the FAA grant of \$175,038 and from the DOTD grant of \$9,212.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2010 by \$102,992,393. Table 1 on page 5 compares the calculation of net assets for the last three years.

The net assets of the Chennault International Airport Authority increased by \$4,793,805 during the fiscal year ended June 30, 2010. The changes in net assets are detailed in Table 2 on page 6.

The net accumulated depreciation for the year ended June 30, 2010 increased by \$3,321,648.

Long-Term Debt

The Authority owes a total of \$4,215,000 plus accrued interest on the \$10,000,000 that was borrowed under a contract entered into on May 2, 2006 for the issuance of Excess Revenue Certificates of Indebtedness. The total accrued interest on all debt as of June 30, 2010 is \$29,612.

Budgetary Highlights

Property tax collections of \$7,225,847 from the 5.16 mill tax levied in 2009 exceeded the \$7,120,000 that was budgeted by \$105,847. There are six years remaining on the ten-year authorization to levy the property tax. The property tax levy approved for the year ending December 31, 2010 is 5.16 mills.

Rent income collected amounted to \$1,167,035, which is \$63,792 more than was budgeted for the year ending June 30, 2010.

Table 1
Chennault International Airport Authority
Net Assets

	June 30, 2010	June 30, 2009	June 30, 2008
Assets other than property, plant and equipment:			
Cash and certificates of deposit	\$ 7,348,295	\$ 9,826,634	\$ 11,971,614
Receivables	4,261,982	2,169,474	2,923,711
Reimbursement reserve account	-	-	50,625
Prepaid Insurance	254,387	305,761	308,685
Total	11,864,664	12,301,869	15,254,635
Property, plant and equipment:			
Hangars	64,899,258	64,157,025	62,884,946
Offices, warehouses and shops	26,265,444	24,890,353	26,564,979
Airport operations buildings	4,894,642	4,894,642	1,268,091
Airfield pavement improvements	3,796,590	3,685,259	3,275,467
Roads and parking lots	3,067,822	3,067,823	3,021,271
Utility systems	5,985,004	5,756,184	5,756,184
Waste treatment plant	1,880,786	1,880,786	1,880,786
Firewater plant and lines	2,087,881	2,087,881	2,028,743
Fences and gates	2,537,683	1,840,820	1,840,820
Other improvements	7,600,474	7,283,520	5,937,533
Equipment	6,916,130	4,161,344	4,077,819
Subtotal	129,931,714	123,705,637	118,536,639
Less accumulated depreciation	(38,345,253)	(35,023,605)	(31,534,363)
Capital Assets, net of depreciation	91,586,461	88,682,032	87,002,276
Land	2,539,369	2,539,369	2,584,369
Construction in progress	2,568,419	1,104,662	3,879,753
Total property, plant and equipment	96,694,250	92,326,063	93,466,398
Total Assets	108,558,914	104,627,932	108,721,033
Liabilities:			
Other liabilities	1,351,521	944,344	1,304,701
Bonds payable	4,215,000	5,485,000	9,915,000
Total liabilities	5,566,521	6,429,344	11,219,701
Net Assets:			
Invested in capital assets	92,449,637	86,802,086	83,393,554
Restricted for capital projects	1,549,918	1,794,460	4,311,166
Restricted for debt service	-	-	67,625
Unrestricted	8,992,838	9,602,042	9,728,987
Total Net Assets	\$ 102,992,393	\$ 98,198,588	\$ 97,501,332

Note - The net assets listed above do not include either the value of the 1,200 acres of land leased to the Authority for ninety-nine years by the four entities that created Chennault in June 1986 or the value of the approximately 14 million square feet of pavement that remains of the runway, taxiway, and aircraft parking aprons of the former Chennault Air Force Base.

Table 2
Chennault International Airport Authority
Changes in Net Assets

	June 30, 2010	June 30, 2009	June 30, 2008
Revenues:			
Property tax	\$ 7,225,847	\$ 6,614,182	\$ 6,320,364
Rent income	1,167,035	1,140,966	968,781
Miscellaneous income	137,721	211,645	214,767
Interest income	34,519	162,587	427,664
Grants	5,692,574	851,902	2,047,866
Subtotal	<u>14,257,696</u>	<u>8,981,282</u>	<u>9,979,442</u>
Other Financing Sources:			
Impairment gain	997,229	1,216,041	5,913,021
Total revenues and other financing sources	<u>15,254,925</u>	<u>10,197,323</u>	<u>15,892,463</u>
Expenses:			
Operate, maintain and repair airport and facilities	5,774,220	5,010,556	4,284,241
Intergovernmental	585,672	592,714	570,584
Transfer of land to Sowela	-	(3,759)	-
Interest paid on debt	225,033	316,928	370,818
Depreciation	3,876,195	3,583,628	3,373,204
Total	<u>10,461,120</u>	<u>9,500,067</u>	<u>8,598,847</u>
Increase in Net Assets	4,793,805	697,256	7,293,616
Beginning Net Assets	98,198,588	97,501,332	90,207,716
Ending Net Assets	<u>\$ 102,992,393</u>	<u>\$ 98,198,588</u>	<u>\$ 97,501,332</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2010

	Governmental Fund Types	
	Special Revenue	Capital Projects
ASSETS		
Cash	\$ 3,996,421	\$ 351,874
Certificates of Deposit	3,000,000	-
Receivables:		
Taxes	38,123	-
Federal/State Grants	321,056	3,716,208
Refundable Insurance Assessment	14,823	-
Insurance claim	135,154	-
Other	12,615	-
Land	-	-
Other Capital Assets, net of accumulated depreciation	-	-
Deposits	24,004	-
Prepaid insurance	254,387	-
Due from other funds	1,599,872	-
Total assets	\$ 9,396,455	\$ 4,068,082
LIABILITIES		
Liabilities:		
Accounts payable	\$ 337,386	\$ 160,250
Accrued expenses	-	-
Contracts payable	-	258,042
Due to other funds	-	1,599,872
Deferred revenues	66,231	-
Certificates of indebtedness		
Due within one year	-	-
Due after one year	-	-
Reimbursement contracts, State of Louisiana	-	-
Due within one year	-	-
liabilities	403,617	2,018,164
Fund Balances/ Net Assets		
Fund Balances		
Reserved for construction and repairs	-	2,049,918
Designated for debt service	-	-
Undesignated	8,992,838	-
	<u>8,992,838</u>	<u>2,049,918</u>
Total liabilities and fund balance	\$ 9,396,455	\$ 4,068,082
Net Assets		
Invested in capital assets, net of related debt		
Restricted for construction and repairs		
Unrestricted		
Total net assets		

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Net Assets
\$ 4,348,295	\$ -	\$ 4,348,295
3,000,000		3,000,000
		-
38,123		38,123
4,037,264		4,037,264
14,823		14,823
135,154		135,154
12,615		12,615
-	2,539,369	2,539,369
-	94,154,880	94,154,880
24,004		24,004
254,387		254,387
1,599,872	(1,599,872)	-
<u>\$ 13,464,537</u>	<u>\$ 95,094,377</u>	<u>\$ 108,558,914</u>
497,636	\$ -	\$ 497,636
-	29,612	29,612
258,042		258,042
1,599,872	(1,599,872)	-
66,231	500,000	566,231
-	1,340,000	1,340,000
-	2,875,000	2,875,000
-		-
-	-	-
<u>2,421,781</u>	<u>3,144,740</u>	<u>5,566,521</u>
2,049,918	(2,049,918)	-
-	-	-
8,992,838	(8,992,838)	-
11,042,756	(11,042,756)	-
<u>\$ 13,464,537</u>	<u>(7,898,016)</u>	
	92,449,637	92,449,637
	1,549,918	1,549,918
	8,992,838	8,992,838
	<u>\$ 102,992,393</u>	<u>\$ 102,992,393</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS
June 30, 2010

Total Governmental Fund Balances \$ 11,042,756

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	2,539,369
Buildings	96,059,344
Airfield Pavement Improvement	3,796,590
Roads and Parking	3,067,822
Utility and Fire Protection Systems	8,072,885
Waste Treatment Plant	1,880,786
Fences and Gates	2,537,683
Other Improvements	7,600,474
Equipment	6,919,130
Construction in progress	2,568,419
Accumulated depreciation	<u>(38,345,253)</u>
Other capital assets, net of accumulated depreciation	94,157,880

Interfund receivables are eliminated in reporting total assets (1,599,872)

Total asset adjustments \$ 95,097,377

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Certificates of indebtedness	4,215,000
Accrued interest	29,612
Deferred Revenue	500,000

Interfund payables are eliminated in reporting total assets (1,599,872)

Total liability adjustments \$ 3,144,740

Net assets of governmental activities \$ 102,995,393

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2010

	Special Revenue	Governmental Funds Capital Projects
Revenues:		
Taxes	\$ 7,225,847	\$ -
Rents	1,167,035	-
Interest	32,307	2,212
Miscellaneous	137,721	-
Grant proceeds	66,500	6,126,074
Total revenues	<u>8,629,410</u>	<u>6,128,286</u>
Expenditures:		
Current operating:		
Personal services	1,678,575	-
Travel	45,178	-
Contractual services	2,144,146	-
Intergovernmental	585,672	-
Supplies and materials	725,764	-
Repairs and maintenance	1,826,785	-
Depreciation	-	-
Capital outlays	547,653	7,872,828
Debt service:		
Interest and fiscal charges	1,504,465	-
Total expenditures	<u>9,058,238</u>	<u>7,872,828</u>
Excess (deficiency) of revenues over expenditures	<u>(428,828)</u>	<u>(1,744,542)</u>
Other financing sources (uses):		
FEMA proceeds	834,470	-
Insurance-CIAA Policy	985,154	-
Impairment gain	-	-
Operating transfers in	-	2,000,000
Operating transfers (out)	(2,000,000)	-
Total other financing sources (uses)	<u>(180,376)</u>	<u>2,000,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(609,204)	255,458
Fund balance/net assets		
Beginning of year	<u>9,602,042</u>	<u>1,794,460</u>
End of year	<u>\$ 8,992,838</u>	<u>\$ 2,049,918</u>

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Activities
\$ 7,225,847	\$ -	\$ 7,225,847
1,167,035	-	1,167,035
34,519	-	34,519
137,721	-	137,721
<u>6,192,574</u>	<u>(500,000)</u>	<u>5,692,574</u>
<u>14,757,696</u>	<u>(500,000)</u>	<u>14,257,696</u>
1,678,575	-	1,678,575
45,178	-	45,178
2,144,146	(217,237)	1,926,909
585,672	-	585,672
725,764	(307,597)	418,167
1,826,785	(121,394)	1,705,391
-	3,876,195	3,876,195
8,420,481	(8,420,481)	-
<u>1,504,465</u>	<u>(1,279,432)</u>	<u>225,033</u>
<u>16,931,066</u>	<u>(6,469,946)</u>	<u>10,461,120</u>
<u>(2,173,370)</u>	<u>(5,969,946)</u>	<u>3,796,576</u>
834,470	(834,470)	-
985,154	(985,154)	-
-	997,229	997,229
2,000,000	-	2,000,000
<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>
<u>1,819,624</u>	<u>(822,395)</u>	<u>997,229</u>
(353,746)	5,147,551	4,793,805
<u>11,396,502</u>	<u>86,802,086</u>	<u>98,198,588</u>
<u>\$ 11,042,756</u>	<u>\$ 91,949,637</u>	<u>\$ 102,992,393</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
June 30, 2010

Net change in fund balances - total governmental funds	\$ (353,746)
Amounts reported for governmental activities in the statement of activities are different because:	

Local grants that have been received but restricted for future use are reclassified as deferred revenue	(500,000)
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Governmental funds report capital outlays and repairs as expenditures. However, in the statement of activities, assets with an individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. For the current period, these amounts are:

Capital outlay	8,420,481	
Repairs	121,394	
Reclassification from capital outlay to supplies and materials	307,597	
Reclassification from capital outlay to contractual services	217,237	
Depreciation expense	<u>(3,876,195)</u>	
Excess of capital outlay over depreciation expense		5,190,514

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:

Principal retirement - \$10M debt, Series 2006	1,270,000	
Net decrease in accrued interest payable	<u>9,432</u>	
Net decrease		<u>1,279,432</u>

Insurance and FEMA proceeds are reported as other financing sources in governmental funds, but in the statement of net activities offset the cost of the applicable assets and is reported as an impairment gain(loss). For the current period, these amounts are:

FEMA proceeds	(834,470)	
Insurance Proceeds	(985,154)	
Impairment gain	<u>997,229</u>	
		(822,395)

Change in net assets of governmental funds	\$ <u>4,793,805</u>
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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. Summary of Significant Accounting Policies

The Chennault International Airport Authority (the Authority) is a political subdivision of the State of Louisiana and was created by an Act of the Louisiana Legislature. By virtue of the act and the joint initiative of Calcasieu Parish, City of Lake Charles, Calcasieu Parish School Board and the State Board of Elementary Education, a special district was created through an intergovernmental contract and local services agreement. The Authority is governed by a board of seven commissioners appointed as follows: two members appointed by Calcasieu Parish, two members appointed by the City of Lake Charles, two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

The name of the Authority was changed by Act 458 of the Louisiana Legislature, 1997 Regular Session, from the Chennault Industrial Airpark Authority to the Chennault International Airport Authority.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Authority implemented the new reporting model standards in fiscal year ended June 30, 2004.

Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criteria for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad funds categories as follows:

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the authority.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

Basic Financial Statements – Government-Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's funds).

In the government-wide Statement of Net Assets, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government- wide Statement of Activities reports revenues and expenses on a full accrual, economic resource basis. The Statement of Activities recognizes depreciation expense.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's assets resulting from current year's activities.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when available and measurable. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market. Interest is accrued as earned in the period it becomes measurable and available.

Accrued Unpaid Vacation, Sick Leave and Other Employee Benefit Amounts

Vacation, compensation time, and sick leave are recorded as expenditures of the period in which they are paid. In the event of separation of employment, the employee will be paid for any unused vacation time accrued. Employees are able to accrue unused sick leave without limitation. However, there will be no payment of unused sick leave upon separation of employment. At June 30, 2010 unrecorded Special Revenue Fund liabilities included approximately \$92,662 vacation pay and \$5,335 compensation time.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgements. Actual results could differ from these estimates.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(continued)

2. Cash and Certificates of Deposit

The Authority maintains a fiscal agent agreement. All cash and certificates of deposit are entirely insured or collateralized. Louisiana state statute requires that the Authority's deposits be secured by the depository banks and savings and loan associations pledging government securities as collateral. The amount of the security shall at all time be equal to one hundred percent of the amount on deposit except that portion of deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Cash and investments of the Authority are classified into three categories to give an indication of the level of risk assumed at year-end:

Category 1: includes investments insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes uninsured investments which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes uninsured and unregistered investments with the securities held by the financial institution, or by its trust department or agent, but not in the name of the Authority.

Cash and certificates of deposit as of June 30, 2010 were all classified as category 1. The balance as of June 30, 2010 consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash	<u>\$4,859,238</u>	<u>\$4,348,295</u>
Certificates of deposit	<u>\$3,000,000</u>	<u>\$3,000,000</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and equipment	10 - 30 years
Improvements	10 - 50 years
Other infrastructure	10 - 50 years

GASB 34 requires the Authority to report and depreciate new infrastructure assets effective beginning the year of implementation (June 30, 2004). The Authority voluntarily elected to retroactively report infrastructure assets and depreciation. Infrastructure assets include drainage, roads, runways, lighting, utilities, etc.

4. Joint Services Agreement

The Chennault International Airport Authority entered into Joint Services Agreements on April 4, 1995, with the West-Calcasieu Airport Managing Board and the DeQuincy Airport Authority. The purpose of the agreements is to cooperate on the construction, acquisition, and improvement of public aviation projects or improvements. The joint use of funds is intended to carry out the public purpose of encouraging and stimulating economic development throughout Calcasieu Parish.

Under the terms of the amended agreements, effective for years 2006 through 2015, the Authority agreed to annually grant or transfer \$200,000 to the West-Calcasieu Airport Authority Managing Board and \$100,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for the ten-year period.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

5. Property Taxes

On January 15, 2005, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning with the year 2006. For the year ended June 30, 2010, the Authority levied taxes of 5.16 mills on property with assessed valuation totaling \$1,428,229,699 the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$7,369,665.

Property tax mileage rates are normally adopted in May for the calendar year in which taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

6. Excess Revenue Certificates of Indebtedness

On March 16, 2006 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (Facilities Enhancement Project), Series 2006. On May 2, 2006, an issue in the original principal amount of \$10,000,000 was sold to Capital One, National Association. The contract provides for payments to reimburse the state for bonds issued to finance construction, improving and refurbishment of the existing facilities many of which were damaged by Hurricane Rita on

September 24, 2005, as well as acquisition of other facilities necessary for the Authority's operations, and paying costs associated with issuance of the Certificates.

The certificates of indebtedness, dated May 2, 2006, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate ranging from 4.06% to 4.29% and annual principal payments with the final payment due May 1, 2014. The Authority made an extra principal payment on May 1, 2009 of \$1,215,000 that was initially due on May 1, 2010. The annual requirements to amortize the indebtedness outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>
2012	\$180,142	\$1,340,000
2013	123,057	1,400,000
2014	<u>63,278</u>	<u>1,475,000</u>
	<u>\$ 366,477</u>	<u>\$4,215,000</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

7. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Certificates of Indebtedness	<u>5,485,000</u>	<u>-</u>	<u>1,270,000</u>	<u>4,215,000</u>

There are various limitations and restrictions contained in the debt agreement. The Authority is in compliance with all significant limitations and restrictions.

8. Change in Capital Assets

A summary of capital assets for the year ended June 30, 2010 is as follows:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Construction in progress	\$ 1,104,662	\$8,061,986	\$6,598,229	\$2,568,419
Land	2,539,369	-	-	2,539,369
Buildings	93,942,020	2,117,324	-	96,059,344
Improvement other than building	25,602,273	1,810,145	456,177	26,956,241
Equipment	<u>4,161,345</u>	<u>3,486,022</u>	<u>731,237</u>	<u>6,916,130</u>
	127,349,669	15,475,477	7,785,643	135,039,503
Accumulated depreciation	<u>(35,023,606)</u>	<u>(3,876,195)</u>	<u>(554,549)</u>	<u>(38,345,253)</u>
	\$ <u>92,326,063</u>	<u>\$11,599,282</u>	<u>\$7,231,094</u>	<u>\$96,694,250</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

During the fiscal year ended June 30, 2010, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

	Prior Period Expenditures	Year Ended June 30, 2010	Total Project Expenditures
Hangar F Renovations	\$ 27,719	\$ 152,197	\$ 179,916
Northrop Building	182,984	-	182,984
Realignment of Merganser	15,113	96,218	111,331
Demo of Control Tower	954	47,824	48,778
New Corporate Hangar	874,444	455,311	1,329,755
Runway Lighting Project	2,343	184,175	186,518
Hangar D Annex Roof	-	81,174	81,174
Hangar G Renovations	-	107,983	107,983
Hangar F Containment	1,105	340,179	341,284
Hangar B Floor Recoat	-	333,057	333,057
Hangar B Draft Curtain	-	138,106	138,106
Hangar B Renovations	-	90,246	90,246
Building 3009 Renovations	-	45,336	45,336
KC-10 Prog-Blast Fence	-	679,290	679,290
110,000 Gallon Fuel Tank	-	227,339	227,339
KC-10 Prog- Equipment	-	2,408,498	2,408,498
Other Projects	-	106,634	106,634
Total	<u>\$ 1,104,662</u>	<u>\$ 5,493,567</u>	<u>\$ 6,598,229</u>

Construction in progress as of June 30, 2010, is composed of the following:

	Expended to June 30, 2010
Rehabilitate Runway & Taxiway	\$ 185,422
Hangar C 2010 Upgrades	62,431
Hangar B Tail Door	147,696
Hangar B Tool Control	1,495,979
Relocation of Electrical Lines	90,740
KC-10 Maintenance Dock	306,111
110,000 Gallon Jet Fuel Tank	124,502
Aeroframe-Relocation of Main Gate	53,863
Other Projects	101,675
Total	<u>\$ 2,568,419</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

9. Lease Revenue

The Authority leases its property to various commercial operations. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals as of June 30, 2010 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2011	\$1,344,400
June 30, 2012	\$1,350,860
June 30, 2013	\$1,353,360
June 30, 2014	\$1,296,860
June 30, 2015	\$1,109,360

10. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system.

Employees are eligible for retirement if they have: a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter.

Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 2010 was \$218,128. The Authority's total payroll and taxable benefits was \$1,375,533.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 18.6 percent of eligible salaries. The contribution requirement for the year ended June 30, 2010, was \$56,932 (26.10% of current year covered payroll), which consisted of \$40,572 (18.6% of current year covered payroll) from the Authority and \$16,360 (7.5% of current year covered payroll) from employees.

Fund status and progress:

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assets progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 2009; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2009, for the System as a whole was approximately \$13.986 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$8.499 billion, leaving an unfunded pension benefit obligation of approximately \$5.487 billion.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

11. Deferred Compensation Plan

The Authority set up a deferred compensation plan effective as July 1, 2004 that would be administered through the State of Louisiana Deferred Compensation Plan. Employees who are not contributing to the Louisiana State Employees' Retirement System plan are eligible to participate in the Authority's deferred compensation plan.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

Contributions are based on an employee's wages and taxable benefits. The contribution rate was set at seven percent. The contribution rate for employees hired after July 1, 1994 was modified from seven percent to eight and one half percent.

The amounts contributed to the deferred compensation plan by the Authority are included both in the amount of wages reported for the employee and in the amount of deferred compensation contributed by the employee. Funds contributed by the Authority to the plan are held in separate accounts set up for the individual employees within the State of Louisiana Deferred Compensation Plan. The Authority contributed \$85,799 for employees covered by the deferred compensation plan for the year ended June 30, 2010.

12. Contingencies and commitments

Maintenance and service contracts

Commitments under maintenance and service contracts provide for minimum annual payments as follows:

<u>Year ending June 30</u>	<u>Fire Protection</u>	<u>Runway Equipment</u>
2011	\$597,649	\$28,500

Fire station and fire trucks

On June 16, 2009 the fire station and three fire trucks were severely damaged by fire. One truck was replaced and the other two were completely refurbished. The total cost of the trucks and repairs to the fire station amounted to \$1,125,708. Insurance recovery net of carrying value of the damaged property resulted in a net impairment gain of \$162,759.

KC-10 Program

The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana and Louisiana Department of Economic Development and Northrop Grumman Technical Services, Inc. dated November 1, 2009. The Cooperative Endeavor Agreement includes a grant totaling \$6,500,000 to Chennault from the Louisiana Department of Economic Development for the KC-10 Program for Infrastructure and Equipment. The Authority also entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development for the construction of a blast deflector fence in the amount of \$500,000.

As of June 30, 2010, the status of the grants was as follows:

	<u>Budgeted</u>	<u>Expended</u>	<u>Remaining</u>
Louisiana Economic Development Grant	\$6,500,000	\$4,830,318	\$1,669,682
EDAP Blast Fence Grant	500,000	500,000	-
Chennault	1,000,000	686,406	313,594

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010
(continued)

Pending claims

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2010.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 6,450,000	\$ 7,120,000	\$ 7,225,847	\$ 105,847
Rents	1,310,292	1,103,243	1,167,035	63,792
Interest	110,000	22,000	32,307	10,307
Miscellaneous	140,500	140,500	137,721	(2,779)
Grant proceeds	-	31,500	66,500	35,000
Total revenues	<u>8,010,792</u>	<u>8,417,243</u>	<u>8,629,410</u>	<u>212,167</u>
Expenditures:				
Salaries	1,340,247	1,340,247	1,335,031	5,216
Employee benefits and taxes	445,459	445,459	343,544	101,915
Travel	46,000	46,000	45,178	822
Rentals	24,850	24,850	17,097	7,753
Insurance	575,100	575,100	517,936	57,164
Telephone and utilities	156,250	156,250	174,107	(17,857)
Maintenance	97,800	97,800	85,499	12,301
Control tower	26,500	26,500	28,986	(2,486)
Fire protection	868,016	868,016	887,403	(19,387)
Advertising	31,000	31,000	40,609	(9,609)
Architectural and engineering	25,000	25,000	3,915	21,085
Miscellaneous Contractual	180,830	404,830	388,594	16,236
Intergovernmental	667,500	647,500	585,672	61,828
Business development	29,000	29,000	31,109	(2,109)
Maintenance supplies	65,500	65,500	100,142	(34,642)
Office Expense	20,500	20,500	20,289	211
Vehicles-fuel and repairs	135,000	685,000	574,224	110,776
Major repairs	2,160,000	2,160,000	1,826,785	333,215
Capital outlays	299,300	564,300	547,653	16,647
Debt service	<u>1,504,463</u>	<u>1,504,463</u>	<u>1,504,465</u>	<u>(2)</u>
Total expenditures	<u>8,698,315</u>	<u>9,717,315</u>	<u>9,058,238</u>	<u>659,077</u>
Excess of revenues over expenditures	(687,523)	(1,300,072)	(428,828)	871,244

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2010
(continued)

	Original	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
		Final	Actual	
Excess of revenues over expenditures	(687,523)	(1,300,072)	(428,828)	871,244
Other financing sources (uses):				
Insurance proceeds	500,000	850,000	985,154	135,154
FEMA proceeds	-	500,000	834,470	334,470
Certificates of indebtedness	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-
Total Other Sources (Uses)	(1,500,000)	(650,000)	(180,376)	469,624
Excess (deficiency) of revenues over expenditures and other uses	(2,187,523)	(1,950,072)	(609,204)	1,340,868
Fund balance at beginning of year	9,391,838	9,391,838	9,602,042	210,204
Fund balance at end of year	<u>\$ 7,204,315</u>	<u>\$ 7,441,766</u>	<u>\$ 8,992,838</u>	<u>\$ 1,551,072</u>

See Note to Required Supplementary Information

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2010

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers all Authority activities. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds. The capital budget ordinances which authorize the Capital Projects Fund present cumulative as opposed to annual budget amounts.

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Emergency Management Agency Passed through the Louisiana office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97.036	\$ 834,470
U. S. Department of Transportation – Airport Improvement Program	20.106	<u>175,038</u>
		<u>\$1,009,508</u>

See accompanying notes to schedule of expenditures of federal awards

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chennault International Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 2010

The schedule of per diem paid to commissioners was prepared in compliance with house Concurrent Resolutions No. 54 of the 1979 Session of the Louisiana Legislature.

As provided by Louisiana Revised Statute 33:4710.6, member of the commission serve without compensation.

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
Jane Dufrene	18	-
James G. Gobert	19	-
Larry Avery	14	-
Louis H. Haxthausen	19	-
Russell T. Tritico, Sr.	17	-
George H. Vincent	17	-
Jonald J. Walker, III	14	-

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Chennault International Airport Authority as of and for the year then ended June 30, 2010 and have issued our report dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chennault International Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chennault International Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chennault International Airport Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

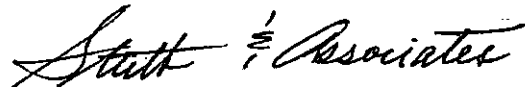
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Commissioners, management, and Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Stulb & Associates

December 9, 2010

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

Compliance

We have audited Chennault International Airport Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control over Compliance

Management of the Chennault International Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chennault International Airport Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Commissioners, management, and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



December 9, 2010

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

June 30, 2010

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? yes Xno
- Significant deficiency identified? yes Xno
- Noncompliance required to be reported in accordance with Governmental Audit Standards? yes Xno

Federal Awards

Internal control over major programs:

- Material weakness identified? yes Xno
- Significant Deficiency (ies) identified that are not considered to be material weaknesses? yes Xno

Type of auditors' report issued on compliance major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

 yes Xno

Identification of major programs:

CFDA Number

Federal Emergency Management Agency
Passed through the Louisiana Office of
Homeland Security and Emergency Preparedness
Hurricane Rita recovery program

97.036

Dollar threshold used to distinguish
Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Xyes no

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

June 30, 2010

Current Audit

There were no findings or questioned costs

Section III – Federal Awards Findings

Current Audit

There were no findings or questioned costs